

WNTS Insight

A Washington National Tax Services (WNTS)
Publication

June 9, 2011

Debt limit talks may affect tax reform efforts

Federal budget deficits and debate over proposals to increase the \$14.3 trillion federal debt limit are expected to be a key focus of the Obama Administration and Congress this summer. The current debt ceiling was reached in May, and Treasury officials have informed Congress that "extraordinary measures" being undertaken to meet U.S. debt obligations will be exhausted by August 2.

There is general agreement on Capitol Hill that a debt ceiling increase will require companion legislation aimed at reducing the federal deficit. Vice President Joe Biden is leading bipartisan talks with House and Senate leaders, with a meeting being held today, but reaching a deficit reduction agreement remains a challenge. Administration officials continue to call for additional revenues to be part of any deficit reduction and debt limit package, but House and Senate Republican leaders oppose any tax increases and instead are looking only at spending reductions.

Notwithstanding the extensive debt ceiling discussions, both the House Ways and Means Committee and the Senate Finance Committee have been holding a series of hearings on tax reform principles and issues in general that will set the framework for development and analysis of concrete tax reform proposals. In addition, the Treasury Department has been working on tax reform concepts aimed at lowering the corporate tax rate without adding to the federal deficit; i.e., revenue-neutral. Treasury officials have indicated that the Administration will not consider corporate tax reform until after the debt limit debate is resolved.

One common element in many discussions on tax reform is the goal of lowering corporate tax rates accompanied by "base broadening" changes to the tax code. Base broadening would be accomplished primarily by repealing or limiting some "tax expenditures," which are defined by the Joint Committee on Taxation staff as generally targeted tax deductions, credits, and preferences. Examples of tax provisions that some have cited as potential tax reform base-broadening provisions



include accelerated depreciation, and the section 199 manufacturing deduction.

Because there is a great potential for businesses and individuals to be affected significantly by emerging tax reform efforts, many companies and trade associations are actively engaged in assessing the potential benefits and risks of tax reform, and are actively participating in the ongoing hearing process. Set forth below is a comprehensive list of tax reform hearings held to date by the House and Senate tax committees.

Tax Reform Hearings

Note: Copies of the testimony from these hearings are available online by clicking on the links below.

[September 23, 2010, Senate Finance Committee hearing, "Tax Reform: Lessons from the Tax Reform Act of 1986."](#)

Witnesses: Former Rep. Richard Gephardt, President and CEO, Gephardt Group; Former Rep. Bill Archer, Senior Policy Advisor, PricewaterhouseCoopers; John E. Chapoton, Strategic Advisor, Brown Advisory, and, Randall D. Weiss, Ph.D, Managing Director, Economic Research, The Conference Board.

[December 2, 2010, Senate Finance Committee hearing, "Tax Reform: Historical Trends in Income and Revenue."](#)

Witnesses: Dr. Douglas Elmendorf, Director, Congressional Budget Office; Thomas A. Barthold, Chief of Staff, Joint Committee on Taxation; and, Mark J. Mazur, Deputy Assistant Secretary for Tax Analysis, Department of Treasury.

[January 20, 2011: House Ways and Means Committee hearing on Fundamental Tax Reform.](#)

Witnesses: Nina Olson, IRS National Taxpayer Advocate; Robert McDonald, Procter & Gamble CEO (appearing as Chairman, Business Roundtable Fiscal Policy Initiative); Warren Hudak, President, Hudak & Company; Kevin Hassett, Senior Fellow & Director of Economic Policy Studies, American Enterprise Institute; and Martin Sullivan, Contributing Editor, Tax Analysts.

[March 1, 2011: Senate Finance Committee hearing, "How Did We Get Here? Changes in the Law and Tax Environment Since the Tax Reform Act of 1986."](#)

Witnesses: Fred Goldberg Jr., Former Assistant Secretary of the Treasury for Tax Policy, 1992; Jonathan Talisman, Former Assistant Secretary of the Treasury for Tax Policy, 2000-2001; Mark Weinberger, Former Assistant Secretary of the Treasury for Tax Policy, 2001-2002; Pamela Olson, Former Assistant Secretary of the Treasury for Tax Policy, 2002-2004; and Eric Solomon, Former Assistant Secretary of the Treasury for Tax Policy, 2006-2009.

[March 3, 2011: House Ways and Means Select Revenue Measures Subcommittee hearing on Small Businesses and Tax Reform.](#)

Witnesses: Dr. Robert Carroll, Principal, Qualitative Economics and Statistics, Ernst & Young LLP; Patricia A. Thompson, Chair, Tax Executive Committee, American Institute of Certified Public Accountants; Dennis Tarnay, Chief Financial Officer, Lake Erie Electric, Inc.; and Donald B. Marron, Director, Tax Policy Center, The Urban Institute.

[March 8: Senate Finance Committee hearing, "Does the Tax System Support Economic Efficiency, Job Creation and Broad-Based Economic Growth?"](#)

Witnesses: Dr. Alan Auerbach, Professor of Economics and Law, University of California Berkeley; Dr. R. Glenn Hubbard, Dean and Professor of Finance and Economics, Columbia University Graduate School of Business; Dr. James K. Galbraith, Chair in Government/Business Relations and Professor of Government, The University of Texas at Austin; and Michael Graetz, Professor of Law, Columbia Law School.

March 9, 2011: Senate Budget Committee hearing, "Distribution and Efficiency of Spending in the Tax Code."

Witnesses: Robert Greenstein, Executive Director, Center on Budget and Policy Priorities; Robert McIntyre, Director, Citizens for Tax Justice; and Scott Hodge, President, Tax Foundation.

March 30, 2011: Senate Finance Committee hearing, "How Do Complexity, Uncertainty and Other Factors Impact Responses to Tax Incentives?"

Witnesses: Dr. Eric Toder, Institute Fellow, and Co-Director, Urban Institute-Brookings Institution Tax Policy Center; Dr. Raj Chetty, Professor, Department of Economics, Harvard University; and Dr. Robert Carroll, Principal, Quantitative Economics and Statistics, Ernst & Young LLP.

April 6, 2011: Joint Committee on Taxation roundtable on tax reform.

Witnesses: Former Treasury Secretary James Baker and former Rep. Dick Gephardt (D-MO).

April 12, 2011: Senate Finance Committee hearing, "Best Practices in Tax Administration: A Look Across the Globe."

Witnesses: Michael Brostek, Director, Tax Policy and Administration, Strategic Issues, U.S. Government Accountability Office; Brian Erard, B.E. & Associates, Reston, VA; and Michael Gaffney, Tax Partner, PricewaterhouseCoopers, New York, NY.

April 13, 2011: House Ways and Means Committee hearing, "How the Tax Code's Burdens on Individuals and Families Demonstrates the Need for Comprehensive Tax Reform."

Witnesses: Alan Viard, Resident Scholar, American Enterprise Institute; Annette Nellen CPA, Director, Masters of Science in Taxation Program, San Jose State University; Mark E. Johannessen CFP, Managing Director, Harris – SBSB; and Neil H. Buchanan, Associate Professor of Law, The George Washington University.

May 3, 2011: Senate Finance Committee hearing, "Is the Distribution of Tax Burdens and Tax Benefits Equitable?"

Witnesses: Daniel Shaviro, Wayne Perry Professor of Taxation, New York University School of Law; Scott Hodge, President, Tax Foundation; Aviva Aron-Dine, P.h.D. Candidate, Department of Economics, Massachusetts Institute of Technology (MIT); Alan Reynolds, Senior Fellow, Cato Institute.

May 4, 2011: Senate Finance Committee hearing, "Budget Enforcement Mechanisms"

Witnesses: Susan J. Irving, Ph.D., Director for Federal Budget Analysis, Strategic Issues, U.S. Government Accountability Office; Paul Van de Water, Ph.D., Senior Fellow, Center on Budget and Policy Priorities; and Phil Gramm, Vice Chairman, UBS Investment Bank, UBS AG.

May 12, 2011: Senate Finance Committee hearing, "Oil and Gas Tax Incentives and Rising Energy Prices"

Witnesses: John Watson, Chairman of the Board and CEO, Chevron Corporation; Marvin Odum, U.S. President, Shell Oil Company; James Mulva, Chairman and CEO, ConocoPhillips; H. Lamar McKay, Chairman and President, BP America Inc.; and Rex Tillerson, Chairman and CEO, Exxon Mobil Corporation.

May 12, 2011: House Ways and Means Committee hearing, "The Need for Comprehensive Tax Reform to Help American Companies Compete in the Global Market and Create Jobs for American Workers"

Witnesses: Greg Hayes Senior Vice President and CFO, United Technologies Corporation; Edward J. Rapp Group President and CFO, Caterpillar Inc.; James T. Crines, Executive Vice President, Finance, and CFO, Zimmer Holdings, Inc.; Mark A. Buthman Senior Vice President and CFO, Kimberly-Clark Corporation; James R. Hines, Jr., L. Hart Wright Collegiate Professor of Law, University of Michigan Law School; Dirk J.J. Suringa, Partner, Covington & Burling LLP; and Jane Gravelle, Senior Specialist in Economic Policy, Congressional Research Service.

May 24, 2011: House Ways and Means Committee, "How Other Countries Have Used Tax Reform to Help Their Companies Compete in the Global Market and Create Jobs"

Witnesses: Gary M. Thomas, White & Case; Frank Schoon, Partner, Dutch Desk, Ernst & Young; Steve Edge, Partner, Slaughter and May; Jorg Menger Partner, Ernst & Young; Reuven S. Avi-Yohah, Professor of Law, University of Michigan Law School.

June 2, 2011: House Ways and Means Committee, "How Business Tax Reform Can Encourage Job Creation"

Witnesses: Ashby T. Corum, Partner, KPMG LLP; Walter J. Galvin, Vice Chairman of the Board, Emerson Electric Co.; Judy L. Brown, Executive Vice President and CFO, Perrigo Company; James H. Zrust, Vice President, Tax, The Boeing Company; James Misplon, Vice President, Tax, Sears Holdings Management Corporation; and Mark Stutman, National Managing Partner of Tax Services, Grant Thornton.

Link to WNTS Insight archive: <http://www.pwc.com/us/en/washington-national-tax/newsletters/washington-national-tax-services-insight-archives.jhtml>

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